

# Baker Tilly TPA Index

Date: 28/01/2021

---

## The January issue of Baker Tilly TPA Index is out

---

**The current rate of Baker Tilly TPA Index is 0.59 on a scale of 0 to 1. The neutral index readings do not mean an exit from recession – the pandemic risk continues to weigh on the economy.**

### **The economic situation is better, but it is not time for joy yet**

We start the latest issue of the Baker Tilly TPA Index with an analysis of the current condition of the economy and the transaction market. Despite the continuing restrictions related to COVID-19, one can see a certain, tentative breath of optimism among entrepreneurs. In their view, the situation is beginning to stabilize. The finance and IT sectors point to recovery. The exceptions are the food service and hospitality industries, which have seen large declines practically since the beginning of the pandemic, and are now signaling a deterioration of this already bad situation.

What all sectors have in common is that their activity is lower than the average and the levels a year ago. As a result, GDP growth is likely to remain negative in the fourth quarter of 2020. A difficult situation is also to be expected in the labor market. Forecasts for practically all sectors expect to see a reduction of employment compared to the current levels.

### **Foreign investors are slightly less active**

Another important piece of the economic puzzle is related to the transactions carried out in the market. According to the Baker Tilly TPA Index, transaction dynamics in Poland in Q4 2020 indicated higher levels than in the first three quarters. During these three months, there were 99 transactions involving entities located in Poland. That is not much less compared to the transaction levels of the past few years. On average, there had been 110 transactions per quarter.

However, there have been more changes in the structure of buyers in concluded contracts. 80% of the buyers were Polish entities and only 20% were foreign entities.

*“Q4 2020 already saw an improvement in the number of transactions. On the one hand, this reflects the increasingly optimistic forecasts – companies want to invest; and on the other hand, it may indicate the need for some entities to seek investors. This could be caused by the COVID-19 crisis and the resulting lack of capital or liquidity issues,”* commented Krzysztof Horodko, Managing Partner, Baker Tilly TPA:



->> More details about the origin of foreign investors can be found in our publication (pdf).

### **Valuation on the stock exchange better, but not impressive**

*“The Baker Tilly TPA Index cannot ignore the valuation of companies listed on the WSE. The latter saw robust gains in the last part of 2020 after the lockdown induced collapse. Despite that, the main indices of the Polish stock exchange are still below the levels observed before March 2020, with the exception of the sWIG80 index, which groups smaller entities, that came close to the highest quotes recorded in the past few years in Q3 2020,”* said Tomasz Manowiec, Director, Corporate Finance, Baker Tilly TPA.

## **EBITDA in contracts: what is important**

In the latest edition of our publication, we address issues related to EBITDA and the importance of this figure in transaction agreements and incentive programs. We point out aspects worth considering when determining EBITDA. These will include marketing expenditures, R&D and employee training expenditures, accounts receivable provisions, shortening obligations for a better purchase price, and loosening credit standards.



>> We will present further elements that may affect EBITDA in the next issue of our publication (pdf).

## **Cost of equity - we can help you determine it**

The cost of equity can be difficult to estimate for many entrepreneurs. We discuss it in the Baker Tilly TPA Index as it is a key value used to analyze investment projects as well as value assets and entire companies. In our analysis, we break this value down by economic sectors. For companies with average risk for the particular industry and a typical financing structure for the sector, this should be a sufficient approximation of the cost of equity.

\*\*\*

## **What is the Baker Tilly TPA Index?**

It is a periodic publication in which we analyze the economic situation on an ongoing basis, pointing out opportunities and emerging risks on the horizon. All in order to be able to act, react, plan and, above all, accomplish the assumed business objectives, despite the current difficult conditions.

\*\*\*

## **MEDIA CONTACT:**

Agnieszka Sieczka, Marketing & PR Manager, Baker Tilly TPA  
T: +48 508 087 430, [agnieszka.sieczka@tpa-group.pl](mailto:agnieszka.sieczka@tpa-group.pl)

\*\*\*

## **About Baker Tilly TPA**

**Baker Tilly TPA** provides comprehensive audit and business advisory services. We combine top quality solutions with international experience and the best regional market practices.

We are a member of the **international advisory group TPA** and the global network **Baker Tilly International**, which allows us to operate on a global scale, but above all guarantees the highest and uniform standards of our work.

Our offer is complemented by strategic tax advisory, accounting and payroll, as well as real estate advisory services, provided under the **TPA** brand. We also provide legal services through our law firm **Baker Tilly Woroszylska Legal**.

Our goal is to deliver unique experiences to our customers in order to solve their most urgent problems and take advantage of the opportunities that arise.

When you choose to work with Baker Tilly TPA, a member company of Baker Tilly International, you choose a company that believes in the power of great relations, great conversations and a great future.

Baker Tilly TPA, TPA Poland, and Baker Tilly Woroszylska Legal are the exclusive representatives of Baker Tilly International in Poland.

[www.bakertilly.pl](http://www.bakertilly.pl)